

**Franchise Tax Board****ANALYSIS OF ORIGINAL BILL**

Author: Keene Analyst: Darrine Distefano Bill Number: AB 2591  
Related Bills: See Legislative History Telephone: 845-4142 Introduced Date: February 24, 2006  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** State Agencies Submit to Department Of Finance Annual Report On Status Of Liquidated And Delinquent Accounts And Efforts By Agency To Collect Those Accounts

**SUMMARY**

This bill would require state agencies to submit an annual report to the Department of Finance (DOF) on the status of liquidated and delinquent accounts.

**PURPOSE OF THE BILL**

According to the author's office, the purpose of this bill is to help the state better manage its account receivables and to find outstanding debts and collect those amounts.

**EFFECTIVE/OPERATIVE DATE**

This bill would be effective and operative beginning on January 1, 2007.

**POSITION**

Pending.

**ANALYSIS**STATE LAW

Under current state law, the Franchise Tax Board (FTB) is required to produce the following legislatively mandated reports on an annual basis:

- Annual Taxpayers' Bill of Rights Report.
- Audit and Collections Activities.
- Audit Protest Cases.
- Disabled Veteran Business Enterprise Statistics.
- Enterprise Zones.
- Independent Contractor Withholding.
- Integrated Tax Information System.

Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
\_\_\_\_\_ N      \_\_\_\_\_ OUA        X   PENDING

Department Director

Date

S. Stanislaus

5/18/06

- Request for Innocent Spouse Relief Report.
- Summary of Federal Income Tax Changes.

### THIS BILL

This bill would require each state agency to submit to DOF no later than October 1 of each year a report that identifies and describes the status of liquidated and delinquent accounts and efforts made by the agency to collect from these accounts during the previous fiscal year.

This bill would require the report to have the following information:

- Total number of liquidated and delinquent accounts.
- New liquidated and delinquent accounts added during the previous fiscal year.
- The beginning and ending balance of each liquidated and delinquent account.
- Total collections of liquidated and delinquent accounts.
- Total amount and total number of liquidated and delinquent accounts that have been discharged of responsibility.
- Total number of liquidated and delinquent accounts turned over to private collection agencies and the total amount collected by those agencies.

This bill requires DOF to submit to the Legislature by December 31 of each year a report on the status of liquidated and delinquent accounts of each state agency based on each state agencies report.

### IMPLEMENTATION CONSIDERATIONS

The following implementation concerns have been identified. Once these concerns are clarified, implementing this bill would not significantly impact the department's programs and operations.

The bill uses the terms "liquidated, delinquent, and discharged of responsibility." It is recommended that these terms be clarified. Each of these terms may be interpreted differently among the state departments and boards. Clarification would ensure that each department and board provides the requested information to DOF timely and accurately.

The requirement to provide the beginning and ending balance of each liquidated and delinquent account would produce an extensive list from FTB. FTB handles a large amount of individual and corporate collection accounts. It is suggested that the author clarify whether the beginning balance is the balance of the account when it was first received by the department or at the beginning of the reporting period. In addition, FTB's Non-Tax Debt collection system can only provide a current balance; therefore, information provided from this system would be inaccurate.

It is unclear if the report requires each liquidated and delinquent account to be identified by some distinctive method. The author may wish to clarify how each account is to be identified to avoid the disclosure of sensitive or confidential information such as taxpayer name or social security number.

According to the author's office, the accounts that are to be included in this report are those that are defined in Section 8776 of the State Administrative Manual (SAM). SAM Section 8776 - Accounts *Receivable* is defined as a claim against a person, firm, corporation, or other entity for money owed to the State. The author may wish to add language that references Section 8776 of SAM to clarify the types of accounts to be listed on the report.

## **LEGISLATIVE HISTORY**

AB 1418 (Horton, 2005/06), along with other provisions, would require FTB to compile and make publicly available, an annual list of the 250 largest tax delinquencies exceeding \$100,000. This bill is currently in the Senate Revenue & Taxation Committee.

AB 1678 (Alquist, 1997/1998) would have established a delinquency list of the top 100 delinquent taxpayers that would have been made available to the public. This bill remained in the first house.

## **FISCAL IMPACT**

The department anticipates that one-time programming and information technology resources will be needed to develop the report. Department costs will be developed as the bill progresses through the legislative process. The costs are expected to be minor.

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

## **LEGISLATIVE STAFF CONTACT**

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